

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 EA-10 ISO-00 EB-08 AID-05 OMB-01

TRSE-00 SS-15 OPIC-03 /065 W

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 8077

USDOC WASHDC

INFO AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

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C O R R E C T E D C O P Y F O R P A R A O N E

E.O. 11625: N/A

TAGS: BENC, ENRG, NI

SUBJECT: MAJOR PROJECT FOLLOW-UP: NIGERIAN FERTILIZER COMPLEX

REF: (A) 77 STATE 37819, (B) STATE 81351

1. PETROLOFF DISCUSSED STATUS OF FERTILIZER PROJECT WITH DR. EDWARD N. EKE, PRINCIPAL ASSISTANT SECRETARY (FERTILIZER) MINISTRY OF INDUSTRIES. EKE JOINED DR. OYEKAN'S STAFF IN MARCH 1977 FOLLOWING THIRTEEN YEARS WORKING IN U.S. FOR JOHNSON AND JOHNSON, ITT, MANUFACTURE'S HANOVER, AND CIT FINANCIAL. MARRIED TO AMERICAN WIFE, HE HOLDS DEGREE FROM UNIVERSITY OF ILLINOIS AT URBANA, AND PHD IN BUSINESS FROM PACE COLLEGE, NYU. DR. EKE IS BRIGHT, ARTICULATE, CHEERFUL, ACCESSIBLE

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2. EKE SAID LIST OF POSSIBLE TECHNICAL PARTNERS HAS BEEN NARROWED DOWN TO MITSUI OF JAPAN AND UKF OF HOLLAND. LATTER IS ONE OF COMPANIES IN DUTCH STATE MINES GROUP, WHICH EXPLAINS CONFUSION OVER IDNTITY OF PARTNERS. PARTNERS LIST ORIGINALLY INCLUDED W.R. GRACE, AGRICO, ICI, MONTEDISON AND NORSK HYDRO IN ADDITION TO THESE TWO.

3. EKE SAID THERE HAD BEEN TWO CHOICES FOR THE SITE OF THE FERTILIZER PROJECT, NOT TZO PROJECTS. PORT HARCOURT WAS SITE FINALLY CHOSEN.

4. MAIN STUMBLING BLOCK TO PROGRESS ON PROJECT, EKE SAID, WAS HOW MUCH CASH TECHNICAL PARTNER WOULD INVEST. WITH TOTAL COST OF DOLLARS 500 MILLION, SEVENTY/THIRTY DEBT TO EQUITY RATIO, AND FOREIGN SHARE OF EQUITY AMOUNTING TO THIRTY OR FORTY PERCENT, PARTNER WOULD BE REQUIRED TO INVEST BETWEEN DOLLARS 45 AND 60 MILLION. FMG WANTED MOST OF THIS TO BE IN FORM OF CASH. WHILE MITSUI AND UKF BOTH TRYING HARD TO PLACE HIGH VALUATION ON KNOWHOW CONTRIBUTION AND MINIMIZE CASH EXPOSURE.

5. NO FORWARD PROGRESS APPEARS TO HAVE BEEN MADE ON THIS ISSUE IN PAST SIX WEEKS SINCE LAST CALL BY PETROLOFF. EKE NOW SAYS FMG HAS GIVEN WORLD BANK COPY OF PROJECT REPORT PREPARED IN JANUARY 1978 BY SCIENTIFIC DESIGN AND HAS REQUESTED FORMAL WORLD BANK APPRAISAL WITH VIEW TO OBTAINING FINANCE. WORLD BANK TEAM EXPECTED TO ARRIVE MAY 8 AND COMPLETE APPRAISAL IN TWO TO THREE WEEKS. DEPENDING ON BANK'S RECOMMENDATION, EKE SAID, FMG MAY RETAIN 100 PERCENT OF EQUITY AND FINANCE ENTIRE PROJECT WITH LOANS. MOI WOULD THEN NEGOTIATE A MANAGEMENT AND OPERATING SERVICE CONTRACT WITH ONE OF PROSPECTIVE TECHNICAL PARTNERS.

6. PETROLOFF INQUIRED WHETHER THIS CHANGE IN STATUS OF PARTNER LIMITED OFFICIAL USE

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WOULD MEAN THAT BIDDING WOULD BE THROWN OPEN AGAIN TO ALL PREVIOUS CANDIDATES, INCLUDING W.R. GRACE AND AGRICO. U.S. FIRMS HIGHLY QUALIFIED, AS EKE SWARE, AND MIGHT VERY WELL BE INTERESTED IN PROJECT ON NEW BASIS. EKE SAID YES, IT WOULD. HE HAD IN FACT SENT LETTERS ABOUT THIS TO ICI, MONTEDISON, NORSE HYDRO, MITSUI, AND TWO NEW FIRMS, ENC OF FRANCE AND SALZGITTER (PHONETIC) OF GERMANY. HOWEVER, HE HAD NOT REPEAT NOT WRITTEN TO W.R. GRACE OR AGRICO BECAUSE HE FELT THAT THEIR LACK OF INTEREST IN PROJECT PREVIOUSLY HAD BEEN SO TOTAL THAT IT HARDLY WORTHWILE. PETROLOFF SAID HE WOULD ALERT WASHINGTON TO THIS POSSIBLE CHANGE IN ROLE OF TECHNICAL PARTNER SO THAT IT COULD BE DETERMINED WHETHER U.S. FIRMS WOULD IN FACT LIKE TO HAVE ANOTHER TURN AT BAT. EKE SA2D HE WOULD APPRECIATE THIS.

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7. RE FINANCING, EKE SAID AT PREVIOUS MEETING THAT WORLD BANK WOULD DEFINITELY PROVIDE ON ORDER OF DOLLARS 150 MILLION. IN ADDITION, NIGERIAN PORTION OF EQUITY ALREADY ALLOCATED BY FMG AND PLACED IN ESCROW ACCOUNT. THIS AMOUNTED TO NAIRA 70 MILLION, BUT MOI MIGHT INCREASE THIS TO 90 OR EVEN 100 MILLION NAIRA. EKE NOW SEEMS TO THINK WORLD BANK MIGHT LEND MORE, AND SAID BANK WILL ALSO HELP FMG FIND OTHER LENDERS.

8. RE CONSTRUCTION, EKE SAID HE IS ANXIOUS TO PREQUALIFY CONTRACTORS ASAP. HE HAD MADE UP A LIST, BUT HAS NOT YET MAILED PREQUALIFICATION DOCUMENTS. AMERICAN FIRMS ON LIST INCLUDE BECHTEL, FLUOR, FOSTER-WHEELER, C.F. BRAUN, KELLOGG AND BADGER. THERE ARE ALSO 4 BRITISH, 2 SWEDISH, 1 ITALIAN, 2 BELGIAN, 1 AUSTRIAN, 4 JAPANESE, 3 WEST GERMAN AND 3 FRENCH FIRMS. PREVIOUSLY EKE HAD SAID THERE COULD BE ANO MOVEMENT ON CONSTRUCTION CONTRACTOR SELECTION
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UTIL TECHNICAL PARTNER SELECTED BUT HE NOW SEEMS IMPATIENT TO GET STARTED. PREQUALIFICATION INVITATIONS MIGHT BE MAILED AS SOON AS WORLD BANK COMPLETES REVIEW LATE MAY.

9. RE PROCESS TECHNOLOGY TO BE USED, EKE MENTIONED STAMICARBON UREA PROCESS OF DUTCH STATE MINES (USED BY UKF AND OTHERS). HE SAID KELLOGG WAS FRONT RUNNER FOR AMMONIA PROCESS, ALTHOUGH

CHIYODA HAD LICENSE FOR COMPETITIVE PROCESS FROM C.F. BRAUN.

10. LOCAL BANKER HAS HEARD RUMOR, WHICH WE WILL ATTEMPT
PIN DOWN, THAT MOI INVITED YUGOSLAV STATE OIL COMPANY, INA, TO
SUBMIT PROPOSAL FOR CONSTRUCTION AND 15 YEAR OPERATING CONTRACT
FOR FERTILIZER COMPLEX.

11. ACTION REQUESTED. WOULD APPRECIATE USDOC CONTACTING AGRICO
AND W.R. GRACE TO DETERMINE IF THEY WOULD BE INTERESTED
IN RECONSIDERING NIGERIAN FERTILIZER COMPLEX IF PARTNERSHIP
WERE TO BE ON A MANAGEMENT AND OPERATING FEE RATHER THAN EQUITY
BASIS. IF RESPONSE IS POSITIVE, WOULD SUGGEST THESE FIRMS
SEND REPRESENTATIVES TO TALK THINGS OVER WITH EKE AS SOON AS
POSSIBLE.
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